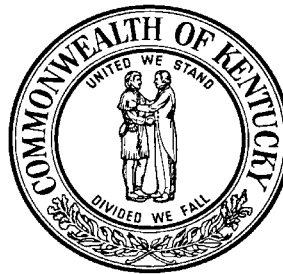


**REPORT OF THE AUDIT OF THE
TAYLOR COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES**

June 11, 2002



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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary,

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Eddie Rogers, Taylor County Judge/Executive

Honorable John E. Shipp, County Sheriff

Members of the Taylor County Fiscal Court

The enclosed report prepared by Potter & Company, LLP, Certified Public Accountants, presents the Taylor County Sheriff's Settlement - 2001 Taxes.

We engaged Potter & Company, LLP, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Potter & Company, LLP, evaluated the Taylor County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Enclosure



**TAYLOR COUNTY, KENTUCKY
JOHN E. SHIPP, SHERIFF
SHERIFF'S SETTLEMENT –
2001 TAXES**

FINANCIAL STATEMENT AND
INDEPENDENT AUDITOR'S REPORT

June 11, 2002

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TAYLOR COUNTY SHERIFF'S SETTLEMENT – 2001 TAXES

June 11, 2002

Potter & Company, LLP has completed the audit of the Sheriff's Settlement – 2001 Taxes for Taylor County Sheriff as of June 11, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Sheriff collected net taxes of \$4,546,096 for the districts for 2001 taxes. Sheriff distributed taxes of \$4,352,981 to the districts for 2001 taxes. Taxes of \$14 are due to the districts from the Sheriff and refunds of \$145 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

TAYLOR COUNTY, KENTUCKY
JOHN E. SHIPP, SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES

C O N T E N T S

	<u>Page</u>
Independent Auditor's Report	1
Sheriff's Settlement - 2001 Taxes	2 - 3
Notes to Financial Statement	4 - 5
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	6

INDEPENDENT AUDITOR'S REPORT

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary,
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Eddie Rogers, Taylor County Judge/Executive
Honorable John E. Shipp, County Sheriff
Members of the Taylor County Fiscal Court

We have audited the Taylor County Sheriff's Settlement - 2001 Taxes as of June 11, 2002. This tax settlement is the responsibility of the Taylor County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for Sheriff's Tax Settlements* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Taylor County Sheriff's taxes charged, credited, and paid as of June 11, 2002, in conformity with the modified cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



POTTER & COMPANY, LLP
July 12, 2002

TAYLOR COUNTY, KENTUCKY
JOHN E. SHIPP, SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES
June 11, 2002

<u>Charges</u>	<u>County taxes</u>	<u>Special taxing districts</u>	<u>School taxes</u>	<u>State taxes</u>
Real estate	\$ 468,861	\$ 961,398	\$ 1,726,836	\$ 807,241
Tangible personal property	69,220			330,473
Intangible personal property				81,419
Fire protection	1,078			
Increased through erroneous assessments	89	163	481	285
Franchise corporation	38,916	76,956	143,849	
Additional billings	1,021	1,969	5,520	845
Limestone, sand, and mineral reserves	9	14	46	15
Penalties	4,042	7,118	14,717	7,755
Gross chargeable to Sheriff	<u>583,236</u>	<u>1,047,618</u>	<u>1,891,449</u>	<u>1,228,033</u>
 <u>Credits</u>				
Exonerations	2,921	5,198	11,376	9,411
Discounts	7,242	12,980	22,238	17,551
Delinquents:				
Real estate	4,982	8,675	14,713	8,548
Tangible personal property	275	566	392	1,221
Intangible personal property	15	28	61	101
Uncollected franchise	9,395	18,109	48,242	
Total credits	<u>24,830</u>	<u>45,556</u>	<u>97,022</u>	<u>36,832</u>
Net tax yield	558,406	1,002,062	1,794,427	1,191,201
Commissions <A>	<u>(24,020)</u>	<u>(42,588)</u>	<u>(71,777)</u>	<u>(50,914)</u>
Net taxes due	534,386	959,474	1,722,650	1,140,287
Taxes paid	(533,819)	(958,512)	(1,721,460)	(1,139,190)
Refunds (current and prior year)	<u>(562)</u>	<u>(954)</u>	<u>(1,189)</u>	<u>(1,242)</u>
Due districts (refund due Sherriff) as of completion of fieldwork	\$ <u>5</u>	\$ <u>8</u>	\$ <u>1</u>	\$ <u>(145)</u>
		<1>		

<A> and <1> see page 3

The accompanying notes are an integral part of the financial statement.

TAYLOR COUNTY, KENTUCKY
JOHN E. SHIPP, SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES (CONTINUED)

June 11, 2002

<A> Commissions:

10% on	\$	10,000
4.25% on		2,741,669
4% on		1,794,427

<1> Special Taxing Districts:

Extension District	\$	1
Health District		1
Hospital District		4
Library District		<u>2</u>

Due districts as of completion
of fieldwork

\$ 8

The accompanying notes are an integral part of the financial statement.

TAYLOR COUNTY, KENTUCKY
JOHN E. SHIPP, SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES
NOTES TO FINANCIAL STATEMENT
June 11, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting:

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Basis of Accounting:

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

Cash and Investments:

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

NOTE 2 - DEPOSITS

The Sheriff maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of

TAYLOR COUNTY, KENTUCKY
JOHN E. SHIPP, SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES
NOTES TO FINANCIAL STATEMENT
June 11, 2002

NOTE 2 - DEPOSITS (CONTINUED)

the depository institution. These requirements have been met, and as of June 11, 2002, the Sheriff's deposits are fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

NOTE 3 - TAX COLLECTION PERIOD

Property Taxes:

The real and personal property tax assessments are levied as of January 1, 2001. Property taxes are billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 2001 through April 30, 2002.

NOTE 4 - INTEREST INCOME

The Taylor County Sheriff earned \$10,404 as interest income on 2001 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of June 11, 2002, the Sheriff owes \$80 in interest to the school districts.

NOTE 5 - SHERIFF'S 10% ADD-ON FEE

The Taylor County Sheriff collected \$24,351 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

NOTE 6 - ADVERTISING COSTS AND FEES

The Taylor County Sheriff collected \$1,310 of advertising costs and \$2,950 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary, Finance
and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Eddie Rogers, Taylor County Judge/Executive
Honorable John E. Shipp, County Sheriff
Members of the Taylor County Fiscal Court

We have audited the Taylor County Sheriff's Settlement - 2001 Taxes as of June 11, 2002, and have issued our report thereon dated July 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Taylor County Sheriff's Settlement - 2001 Taxes as of June 11, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Taylor County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Potter & Company, LLP

POTTER & COMPANY, LLP
July 12, 2002

